



Leon County

Board of County Commissioners

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County Administrator

HERBERT W.A. THIELE
County Attorney

October 20, 2011

Members of the Board of County Commissioners
Leon County Courthouse
Tallahassee, Florida 32301

Honorable Chairman and Commissioners:

I am pleased to present the adopted FY 2011/2012 budget. The budget of \$235,617,730 represents an \$8,512,350 million decrease (-3.5%) from last fiscal year. Since FY 2007/2008, the Board has reduced the budget by \$48.9 million or 17%.

Consistent with the trend over the past several years, preparation of this budget contemplates the continued constraints of the post recessionary economic condition and persistent loss of revenues associated with a slow recovery. For the third consecutive year property values have declined. For the current year, property valuations used to develop the FY12 budget dropped \$341 million, compared to last year's \$268 million and the initial FY10 decline of \$1 billion. County, Constitutional, and Judicial offices continued to work together to evaluate where expenditures could be reduced and resources maximized in order to maintain the quality services that citizens deserve.

The development of the current year budget is not an action that is isolated from previous Board budgets, but a continuation of an on-going effort to address declining property values while maintaining quality services. The adopted budget is in effect a maintenance budget. The operating budget reflects our efforts to adequately fund a high level provision of essential services. The capital budget demonstrates our emphasis on maintaining the County's infrastructure.

As part of the budget process, I directed departments and divisions to respond to a series of questions which would identify opportunities for improvement throughout the organization. These ranged from consolidation of functions across departmental lines to privatization when it makes sense. This approach will be expanded on next year as part of the Leon LEADS framework which I presented to the Board at your August 23rd workshop.

As discussed with the Board at the workshop, Leon LEADS is not a management philosophy, or a planning exercise, but a strategic transformational approach of aligning the Board's guiding vision and strategic priorities with the optimized resources of the organization while instilling our people focused, performance driven culture throughout the organization. Leon LEADS is a continuous process of looking inward to strengthen what works (and to abandon what does not), and of looking outward to leverage community partnerships and to receive systematic feedback from citizens, while providing for ongoing adjustments as conditions change.

This budget is only a beginning. Over the next year, during the implementation of LEADS, as an organization we will focus on making the budget process more relevant to our citizens. We will detail how the resources provided by the tax payers are utilized for the quality services our citizens expect. We will align the budget with performance measures and desired outcomes. And, we will measure our performance, adjusting as necessary to meet the expectations of the community in which we live. This is the framework initiated during the FY12 budget process.

Major highlights of the adopted budget include:

- Total property tax savings of \$2.9 million; \$14 million cumulative savings over three years
- Budget balanced through reductions, use of reserves and savings through reduced retirement contributions
- Utilizing automation and privatization to provide cost savings in Probation, Libraries and Facilities Management
- Total net 8 positions being eliminated; 70 plus over four years; realigned and consolidated existing functions to absorb reductions and provide support to expanded library and community center locations
- Maintaining sufficient reserves consistent with County Policy to address emergencies and day to day cash flow needs
- Budget focuses are on the maintenance of existing infrastructure (i.e. roads and parks) and programs providing service to the community
- Refinancing a portion of County debt to realize annual savings of \$157,000
- Providing increased funding to support: Presidential elections costs; Courthouse/jury security; fuel; mandated state Medicaid funding, employee wellness, and the mental health pre-trial program
- Maintaining constant funding level from prior year for community partners, such as the Economic Development Council, Tallahassee Memorial Trauma Center, Council on Cultural Arts and 26 community-based agencies funded through the Community Humans Services Partnership (CHSP).

Fiscal Constraints

Property Taxes

The adopted FY 2011/2012 budget includes the budget year and four planned years. Pursuant to Florida Statute, the Board adopts only the budget year and not the planned years. The out years are provided for information and planning purposes only and are adjusted accordingly during the actual year of implementation.

This budget continues to provide property tax relief to our citizens. Overall, property tax collections for FY 2011/2012 will be \$2.9 million less than last year. These savings are a direct result of two factors: (1) the Board maintaining the current combined millage rate of 8.35 (7.85 countywide and 0.50 Emergency Medical Services MSTU); and (2) a decline in property values by \$341 million. If property values continue to decline with no corresponding change in the millage rate, collections for the next cycle will also be reduced. The effect of these two variables on property tax collections will need to be considered during the development of next year's FY 2012/2013 budget.

The adopted FY 2011/2012 budget utilizes \$4.0 million in fund balance to support the budget, which includes \$2.75 million from the general fund. Fund balances will grow annually through the under spending of appropriations and the over collection of forecasted revenues (mainly resulting from the statutory requirement to budget at 95% of forecast). Given these parameters, the utilization of \$4.0 million is not an unreasonable allocation. However, historically the fund balances that have accumulated have been utilized for one-time capital project funding.

Out-year budgets contemplate the continued use of fund balance in the amount of \$4 million per year. Even with this contemplated use of fund balance, and a flat or modest increase in property values, the Board may need to consider an increase above the rolled-back millage rate in FY13. This will be necessary in order to cover operating costs associated with cost-of living, health care, retirement and to fund the operating costs associated with opening of the Public Safety Complex. The other alternative is to further reduce services in other County programs or consider alternative revenue sources.

Over the past four years the Board has reduced its workforce by more than 70 positions (including previous positions associated with contracted visitor services) from its workforce, by reorganizing stormwater, transportation, growth management, tourist development and administrative functions. This restructuring has allowed the Board to reduce costs while minimally effecting service levels to the community.

Other Revenue Sources

During the development of the FY 2012 adopted budget, the Board instructed staff to not consider raising the non ad valorem assessments for stormwater or solid waste. In addition, due to the weak economy, the Board also directed staff to not consider implementing the available five-cent gas tax. Consequently, the transportation program continues to receive general revenue support in the amount of \$1.9 million in FY 2012. Without additional revenue support, this subsidy is projected to grow to \$3.3 million by FY 2016.

The stormwater and solid waste funds will receive \$2.7 million and \$1.0 million, respectively, in general revenue support. Recognizing the difficult economic conditions and the affect on many households, the Board has been sensitive to adding additional fees on property owners. However, the Board's "Guiding Principles" adopted in FY 2008 say that these services should pay for themselves and any subsidy should be minimized.

The current solid waste assessment of \$40 has never been raised since its inception in 1991. The \$20 stormwater assessment has not been raised since its implementation in 1995. To achieve the goals of the "Guiding Principals," service level reductions may be required if the assessment levels remain the same.

Budget Savings and Reductions

The adopted FY 2012 budget also includes a series of budget reductions authorized by the Board. In addition to the Florida Retirement System savings implemented by the State of Florida, which provided \$5.6 million in savings by requiring employees to contribute three percent of their pre-tax pay toward funding the retirement system, the Board took the following actions:

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- Approved the reorganizations of departments to consolidate administrative staff (Housing/Human Services, Veterans and Libraries)
 - Approved privatization efforts when cost savings can occur (Pre-trial release GPS program)
 - Approved the use of automation to reduce dedicated staff (Parking lot attendants)
 - Approved a reduction in roadside maintenance through resizing of a Public Works operation crew

Without the cost savings that occurred due to changes in funding the Florida Retirement System, the Board would have had to consider additional funding reductions to the FY 2012 budget.

Long Term Outlook and Challenges

Capital Program

The current five year capital program is balanced without the need to borrow through the issuance of bonds, which would require additional debt service. Beginning in FY 2015, the plan contemplates beginning to utilize the County's ten percent share of the existing infrastructure sales tax to support resurfacing and intersection improvements. However, by FY 2016 and beyond this projected sales tax collections will not adequately continue to fund resurfacing, sidewalk and intersection funding at levels sufficient to maintain the existing infrastructure. Over the next several years, staff will continue to provide the Board options for maintaining adequate funding. This may entail curtailing other program expenditures or evaluating alternative revenues. In addition, if the sales tax extension is not extended beyond 2019, the County will need to identify other resources for resurfacing and intersection programs, which currently can exceed \$5.0 million annually.

A New Model for the Future

As I have described to you in the past three months of my tenure as County Administrator, we as local government are in a phase commonly referred to as "the new normal." This new normal is a time of continuously decreasing revenues, accompanied by a corresponding increase in needs, and a coexisting demand for no tax increases.

This is a time when a growing number of our citizens see themselves as individual disenfranchised taxpayer, rather than stakeholder in our collective success as a community. Consequently, this is a time when people are understandably upset and while as they go about their daily lives they may not be able to find anyone at the state or federal level to direct their frustration, they can always find the Courthouse.

This new normal has and will continue to have a profound impact on our ability to successfully fulfill our obligations to our community. This new normal requires a new model. A model which will ensure that we are in a constant state of becoming the highest performing organization we can be, and does so in a way which not only upholds our values and instills the public trust, but conveys a true sense of relevance for the role of county government in our comments. This will require a culture dedicated to achieving this.

A culture which:

- Demonstrates to our citizens that we are on their side, letting them know that they are the reason we exist and what they are receiving from their tax dollars;

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- Produces bigger and better ideas to address the real issues people are facing in our community;
 - Actively promotes transparency, accessibility, and openness to everything we do;
 - Engages citizens in important decisions facing the community,
 - Tirelessly enhances our community's livability, sustainability and economic competitiveness; and
 - Provides employees a structure which reinforces this as our organizational culture and, empowers them to help people.

The future of the organization in upcoming budgets will focus on an organization that is **people focused and performance driven**. This will be our culture, which will align the optimized resources of the County with the vision and top strategic priorities of the Board to achieve our best potential for our community.

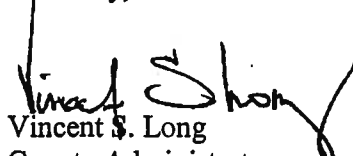
Conclusion

I would like to thank the Board for providing clear policy direction in developing the adopted budget. In addition, the cooperation of the Constitutional Officers was critical in balancing the budget and I sincerely appreciate their efforts. Most importantly, our departments year after year continue to provide real solutions to the most complex fiscal issues facing the County. Their dedication and innovation was key in the development of this budget.

Detailed fiscal analysis of County funds and information regarding County Departments, Constitutional and Judicial Offices are provided in the following pages. In reviewing the details, one will see the specificity with regard to the actions taken by the Board at meetings, workshops and retreats.

The final adopted budget as approved by the Board during the September public hearings has been reformatted to reflect the department reorganization ratified by the Board at the September 13, 2011 meeting. This presentation does not have a fiscal impact on the final budget, but reflects the restructuring of the County Departments as approved by the Board in order to achieve the necessary performance outcomes required and demanded of the citizens of Leon County. The new organizational structure is reflected in the preamble of the adopted budget.

Sincerely,


Vincent S. Long
County Administrator